



## DEPARTMENT OF HEALTH & HUMAN SERVICES

Health Care Financing Administration

The Administrator

Washington, D.C. 20201

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Mary B. Kennedy  
Medicaid Director  
Assistant Commissioner  
Health Care Administration  
Minnesota Department of Human Services  
444 Lafayette Road North  
Saint Paul, Minnesota 55155

Dear Ms. Kennedy:

We are pleased to inform you that the December 11, 2000 amendment of your March 31, 2000 application for a SCHIP section 1115 demonstration, has been approved as project No. 21W-00004/5 for the period beginning June 13, 2001 through June 13, 2006. This amendment adds coverage for parents and relative caretakers of Medicaid and SCHIP eligible children, who are enrolled in the MinnesotaCare component of Prepaid Medical Assistance Program Plus (PMAP+) and whose income level is from 100 to 200 percent of the gross Federal Poverty Level (FPL). The approval is under the authority of section 1115(a)(2) of the Social Security Act (the Act) which authorizes the Secretary to regard as expenditures under the title XXI costs of a demonstration project, which would not otherwise be included under the state plan.

Our approval of this demonstration (and the waivers and Federal matching provided thereunder) is conditioned upon compliance with the enclosed special terms and conditions, which set forth in detail the nature, character, and extent of anticipated Federal involvement in the project. The award is subject to our receiving your written acceptance of the award within 30 days of this letter.

All requirements of the Medicaid program, the Medicaid section 1115 demonstration project No. 11 -W-00039/5, entitled Prepaid Medical Assistance Project Plus (PMAP+) and the SCHIP program expressed in law, regulation, and policy statement, not expressly waived or identified as not applicable in this letter, shall apply to the demonstration populations. The benefit package provided to MinnesotaCare enrollees in this demonstration is considered Secretary approved coverage under section 2103 of the Act. The following waivers and matching authority, as specified in the state application and subsequent discussion, are approved for a 5-year period beginning from the date of this letter.

Costs Not Otherwise Matchable Authority

Under the authority of section 1115(a)(2) of the Act, the following expenditures that would not otherwise be regarded as expenditures under title XXI will be regarded as expenditures under the state's title XXI plan:

Expenditures to provide coverage that meets the requirements of section 2103 of the Act to individuals who: 1) are uninsured custodial parents and relative caretakers of children eligible under the title XIX state plan, section 1115 demonstration project No. II -W-00039/5 entitled "PMAP+" or title XXI state plan; 2) have family incomes between 100 and 200 percent of the gross federal poverty level; and 3) are eligible under MinnesotaCare.

SCHIP Requirements Not Applicable to Demonstration Populations:

1. General Requirements, Eligibility and Outreach

§2102

Eligibility standards do not have to be limited by the general principles in section 2102(b). The requirements in 2102 that are not required under the existing Medicaid section 1115 demonstration project for the PMAP+ Program, waiver No. II-W-000-39/5, do not apply, except that the State must perform eligibility screening to ensure that the demonstration population includes only individuals who are eligible for MinnesotaCare in accordance with the existing Medicaid demonstration project waiver cited above, and whose family income is between 100 and 200 percent of the gross federal poverty guidelines.

2. Restrictions on Coverage and Eligibility to Targeted Low Income Children

§2103 §2110

Coverage and eligibility for this demonstration population are not restricted to targeted low-income children.

3. Cost Sharing

§2103(e)

Rules limiting cost sharing under title XXI shall not apply to the demonstration population.

4. Federal Matching Payment and Family Coverage Limits

§2105

Expenditures for the demonstration population may include amounts that exceed the overall ten percent cap, except that demonstration administrative expenditures may not exceed ten percent of total demonstration expenditures. Limits on family coverage are not applicable. Federal matching payments remain limited by the allotment determined under section 2104, and for expenditures other than those for the demonstration population, is limited in accordance with section 2105(c).

5. Annual Reporting Requirements

§2108

Annual reporting requirements do not apply to the demonstration population.

Your project officer is Regina Fletcher, who may be reached at (410) 786-3293. Communications regarding program and administrative matters should be submitted to the project officer at the following address: Health Care Financing Administration, Center for Medicaid and State Operations, 7500 Security Boulevard, Mailstop S2-01-16, Baltimore, Maryland 21244-1850.

We extend our congratulations on this award and look forward to working with you during the course of the project.

Sincerely,

/s/

Thomas A. Scully

Enclosure

## **I. PREFACE**

The following are Special Terms and Conditions for the award of the Minnesota State Children's Health Insurance Program Section 1115 Demonstration (Minnesota Demonstration) request submitted on December 11, 2000. The demonstration Population is defined in the award letter that accompanies these Special Terms and Conditions.

The Special Terms and Conditions have been arranged into two broad subject areas: General Conditions for Approval, and Program Design. In addition, specific requirements are attached and entitled: General Financial Requirements (Attachment A).

The State agrees that it will comply with all applicable Federal statutes relating to Nondiscrimination. These include, but are not limited to: the Americans with Disabilities Act, title VI of the Civil Rights Act of 1964, Section 504 of the Rehabilitation Act of 1973, and the Age Discrimination Act of 1975.

Letters, documents, reports or other material that is submitted for review or approval shall be sent to the Minnesota Demonstration Project Officer and the Associate Regional Administrator in the Chicago Regional Office.

## **II. GENERAL CONDITIONS**

- A. HCFA may suspend or terminate any project, in whole or in part, at any time before the date of expiration whenever it determines that the awardee has materially failed to comply with the terms of the project. HCFA will promptly notify the awardee in writing of the determination and the reasons for the suspension or termination, together with the effective date. The State waives none of its rights to challenge HCFA's finding that the state materially failed to comply. HCFA reserves the right to withdraw waivers at any time if it determines that continuing the waivers would no longer be in the public interest. If a waiver is withdrawn, HCFA will be liable for only normal close out costs.
- B. The State may suspend or terminate this demonstration in whole or in part at any time before the date of expiration. The State will promptly notify HCFA in writing of the reasons for the suspension or termination, together with the effective date. If the waiver is withdrawn, HCFA will be liable for only normal close out costs.
- C. All requirements of the Medicaid and SCHIP programs expressed in laws, regulations, and policy statements, not expressly waived or identified as not applicable in the award letter of which these Special Terms and Conditions are part, shall apply to the Minnesota Demonstration.
- D. The State shall, within the time frame specified in law, come into compliance with any relevant changes in Federal law or regulations affecting the SCHIP program that occur after the demonstration award date. The State may submit to HCFA a request for an amendment to this demonstration to request exemption from changes in law occurring after the demonstration award date.

### **III. PROGRAM DESIGN/OPERATIONAL PLAN**

#### **A. Concurrent Operation**

The State's title XIX state plan, as approved; its title XXI state plan, as approved; and its Medicaid section 1115 demonstration entitled "PMAP+," for the time period as approved; will continue to operate concurrently with this section 1115 demonstration.

#### **B. Maintenance of Coverage and Enrollment Standards for Children**

1. The State shall not close enrollment, institute waiting lists, or decrease eligibility standards with respect to the children covered under its title XXI state plan while this demonstration is in effect.
2. The State shall throughout the course of this demonstration continue to show that it has implemented procedures to enroll and retain eligible children for Medicaid. In recognition of the enhanced Federal matching payments made available under this demonstration, we understand that the State intends to pursue revision of the PMAP+ program, to eliminate premiums for children under age 19 with family incomes at or below 185% of FPL after June 30, 2002. The State also shall throughout the course of this demonstration continue to show that it adopted and effectively implemented at least three of the following policies and procedures in its child health programs:
  - Use of a joint, mail-in application and common application procedures
  - Procedures that simplify the redetermination/coverage renewal process by allowing families to establish their child's continuing eligibility by mail
  - Elimination of assets test
  - Twelve-month continuous eligibility
  - Presumptive eligibility

The State may at any time submit to HCFA a request for approval to change a policy or procedure to another policy or procedure listed above.

3. In order to continue operation of this demonstration if the State exhausts the available title XXI Federal funds for the claiming period, the State will continue to provide coverage to its approved title XXI state plan population and this demonstration population with title XIX funds until further title XXI Federal funds become available. All Federal rules shall continue to apply during the period that title XXI Federal funds are not available.

### C. Enrollment Data Requirements

HCFA acknowledges that the State requires time to program such reports and make any necessary system changes in order to produce these reports. The State agrees to produce the quarterly reports retroactive to the effective date of this waiver, and ongoing reports on a prospective basis, when the necessary system programming is in place.

1. Actual and unduplicated enrollment of the Medicaid and SCHIP children and this demonstration population by income, gender, race, and ethnicity. This enrollment information shall be provided to HCFA in hard copy until such time as it can be reported through the SCHIP Statistical Enrollment Data System.
2. The State will provide HCFA with copies of the following enrollment reports as part of their quarterly narrative report:
  - Number of children who applied for Medicaid or the SCHIP Medicaid Expansion and the number of adults who applied for this demonstration but were denied for, at a minimum, the following reasons: income; failure to complete the application process; coverage by private insurance; or residence in another state.
  - Number of children who were disenrolled from Medicaid or the SCHIP Medicaid Expansion and the number of adults who were disenrolled from this demonstration for, at a minimum, the following reasons: increase in income; failure to complete the renewal process; failure to pay premiums; purchase of private coverage; or residence in another state.

### D. General Reporting Requirements

1. The State will submit quarterly progress reports, which are due 60 days after the end of each quarter. The reports should include, as appropriate, a discussion of events relating to this demonstration population that occurred during the quarter that affect the following: health care delivery; the enrollment process for newly eligible adults; enrollment and outreach activities; access; complaints and appeals to the state; the benefit package; and other operational and policy issues. The report should also include proposals for addressing any problems identified in the report. Minnesota may continue to claim administrative and grant expenditures for S-CHIP demonstration parents and relative caretakers in the MinnesotaCare component of PMAP+ under the Medicaid program until the computer program changes necessary to separately identify expenditures related to this S-CHIP demonstration project. At the same time the State makes a claim for expenditures under S-CHIP for the retroactive period to the effective date of this waiver, it shall also make a corresponding decreasing adjustment under Medicaid for the same expenditures.

2. The State will submit a draft annual report no later than January 1 following the end of each federal fiscal year. The State will provide a baseline of adult and child enrollment as of May 2001, and report any changes in enrollment relative to the baseline in each annual report. The annual report should include documentation of accomplishments; project status, including a budget update; quantitative and case study findings; policy and administrative difficulties; and progress on conducting the demonstration evaluation, including results of data collection and analysis of data to test the research hypotheses. Within 30 days of receipt of comments from HCFA, a final annual report will be submitted.
3. At the end of this demonstration, a draft final report should be submitted to HCFA for comments. HCFA's comments must be taken into consideration by the State for incorporation into the final report. The state should use HCFA, Office of Research and Demonstrations' Author's Guidelines: Grants and Contracts Final Reports (copy attached) in the preparation of the final report. The final report is due no later than 90 days after the termination of the project.



## **ATTACHMENT A**

### **FINANCIAL REQUIREMENTS**

1. The State shall provide quarterly expenditure reports using the Form HCFA-21 to report total expenditures for services provided through the Minnesota Demonstration under section 1115 authority. HCFA will provide Federal Financial Participation (FFP) only for allowable Minnesota Demonstration expenditures that do not exceed the State's individual allotment.
2.
  - a. In order to track expenditures under this demonstration, the State will report demonstration expenditures through the Medicaid Budget and Expenditure System (MBES), as part of the routine quarterly HCFA-21 reporting process. Title XXI demonstration expenditures will be reported on separate Form HCFA-21, identified by the demonstration project number assigned by HCFA (including project number extension, which indicates the demonstration year in which services were rendered or for which capitation payments were made).
  - b. All claims for expenditures related to this demonstration (including any cost settlements) must be made within two years after the calendar quarter in which the state made the expenditures. Furthermore, all claims for services during this demonstration period (including cost settlements) must be made within two years after the conclusion or termination of this demonstration. During the latter two-year period, the State must continue to identify separately net expenditures related to dates of service during the operation of this section 1115 demonstration on the Form HCFA-21.
  - c. The standard SCHIP funding process will be used during this demonstration. Minnesota must estimate matchable SCHIP expenditures on the quarterly Form HCFA-21B. On a separate HCFA 21B, the State shall provide updated estimates of expenditures for the waiver population. HCFA will make Federal funds available based upon the State's estimate, as approved by HCFA. Within 30 days after the end of each quarter, the State must submit the Form HCFA-21 quarterly SCHIP expenditure report. HCFA will reconcile expenditures reported on the Form HCFA-21 with Federal funding previously made available to the State, and including the reconciling adjustment in the finalization of the grant award to the state.
  - d. The State will certify state/local monies used as matching funds for this demonstration and will further certify that such funds will not be used as matching funds for any other federal grant or contract, except as permitted by federal law.

3. Minnesota will be subject to a limit on the amount of Federal title XXI funding that the state may receive on demonstration expenditures during the waiver period. Federal title XXI funding available for demonstration expenditures is limited to the state's available allotment, not including any redistributed funds. Funds from the original allotment that are retained by the State after redistribution to other states are available for this demonstration. Should the State expend its available allotment, no further enhanced Federal matching funds will be available for costs of this demonstration population until the next allotment becomes available. Title XIX federal matching funds will be provided if the title XXI allotment is exhausted.
4. If title XXI allocations are expended and the State chooses to draw down regular title XIX matching funds for this demonstration population under 1115 waiver authority, the section 1115 budget neutrality cap specified in the Terms and Conditions for demonstration No. II -W-00039/5 entitled "PMAP+" shall apply.
5. Total Federal title XXI funds for the State's SCHIP program (i.e., the approved title XXI state plan and this demonstration) are restricted to the State's available allotment, which includes funds from the State's original allotment retained after redistribution to other states, and redistributed funds.
6. Expenditures for outreach and other reasonable costs to administer the title XXI state plan and this demonstration that are applied against the State's title XXI allotment may not exceed ten percent of total expenditures.